

PUBLIC DISCLOSURE

January 25, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Town & Country Bank
Certificate Number 58522**

**405 East St. George Boulevard
St. George, Utah 84770**

**Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Town & Country Bank (TCB)** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 25, 2010**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area (AA). This rating is supported by the following:

- The average net loan-to-deposit (ANLTD) ratio is reasonable, given the institution's size, competitive forces, financial condition, and AA credit needs.
- A substantial majority of the bank's loan originations are within its AA.
- An analysis of loan originations reveals a reasonable penetration of lending to businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion of loans throughout the AA.
- The bank has not received any complaints relating to its CRA performance.

In addition, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

SCOPE OF THE EVALUATION

This evaluation utilized small bank CRA examination procedures. To assess the institution's performance, the following five lending performance criteria are analyzed: the bank's quarterly ANLTD ratio; the level of lending within its AA; the distribution of lending to businesses of different sizes; the geographic distribution of loans; and the bank's response to any consumer complaints regarding its CRA performance.

This evaluation reflects TCB's CRA performance since the bank's inception, February 19, 2008. The evaluation was conducted from the sole office in St. George, Utah, a middle-income census tract. Examiners evaluated the bank's CRA performance in the context of the following:

- Current economic environment;
- Demographic characteristics of its AA;
- Lending opportunities within its AA;
- Financial resources and constraints;
- Product offerings and business strategy;
- Information derived from community contacts; and
- Performance of similarly situated institutions, if any.

The evaluation focused on the institution's lending activity, particularly to small businesses. To evaluate the lending performance, examiners reviewed commercial purpose loans originated between January 1, 2009, and December 31, 2009. This period comprises the "review period" for the corresponding commercial loan review. The review consisted of 32 commercial loans totaling \$9.1 million.

Small farm loans were not considered for review as the bank originates a minimal number and volume of these loans. Three small farm loans totaling approximately \$1.1 million were originated in 2008 and no loans in 2009. Residential real estate lending was not considered for review as the bank does not originate, purchase, or refinance mortgage loans.

Comparative Lending Data

D&B data and the 2000 U.S. Census information are presented for comparison purposes. D&B data is based on the geographic location, using 2000 U.S. Census boundaries, of the total number of businesses within the AA and the reported annual gross sales of those businesses.

DESCRIPTION OF INSTITUTION

The bank has \$38 million in loans, \$49 million in deposits, and \$57 million in total assets as of December 31, 2009. The main and only office is located at 405 East St. George Boulevard, St. George, Utah 84770. Lobby hours are 9:00 am to 5:00 pm, Monday through Friday. Drive-up hours are 8:00 am to 6:00 pm Monday through Friday, and 9:00 am to 12:00 pm on Saturday. The bank has 2 proprietary automated teller machines located at the main office that are available 24 hours a day 7 days a week.

The bank is primarily a commercial bank serving the business community and residents of the City of St. George and surrounding communities of Washington County. The primary lending focus is commercial/industrial loans to small- and medium-sized businesses. The bank also offers other lending products including construction loans, commercial real estate, consumer, and agriculture loans. Consumer loans are typically made as accommodation loans to business customers. The following deposit accounts are offered: personal and business time deposits, demand deposit checking, interest-bearing money market, and savings accounts. Additional products and services are offered such as overdraft protection, wire transfers, and other traditional bank services. The bank operates an internet website at www.tcbankutah.com. The website offers internet banking, which allows customers to review account balances, transfer funds, track transactions, and pay bills. In addition, the bank offers 24-hour telephone banking.

There have been no branches closed since the previous visitation. Debit and credit cards are offered to customers through a third-party arrangement with other financial institution.

The composition of the loan portfolio is depicted in Table 1. Information from the Reports of Condition and Income (CALL Report) for December 31, 2009, was used for the table. As indicated, commercial loans (non-farm nonresidential, commercial and industrial) comprise 78.05 percent of net loans. Construction and land development loans comprise 8.30 percent of net loans. Consumer purpose loans are a nominal percentage of net loans at 0.88 percent. Residential real estate lending (closed-end secured by first and junior liens) comprises 6.09 percent of net loans.

Table 1 Loan Composition	Dollar Amount (in 000s)	Percent of Total Loans
Construction, land development, and other land loans	3,189	8.30%
Secured by farmland (including farm residential and other improvements)	301	.78%
Revolving, open-end loans secured by 1 to 4 family residential properties and extended under lines of credit	675	1.76%
Closed-end loans secured by first liens on 1 to 4 family residential properties	2,340	6.09%
Closed-end loans secured by junior liens on 1 to 4 family residential properties		
Secured by multifamily (5 or more) residential properties	661	1.72%
Secured by non-farm nonresidential properties	17,505	45.56%
Loans to finance agriculture production and other loans to farmers	1,004	2.61%
TOTAL REAL ESTATE	25,675	66.82%
Commercial and industrial loans	12,484	32.49%
Revolving credit plan loans to individuals for household, family, and other personal expenditures (i.e. consumer loans)	46	0.12%
Other consumer loans (includes single payment, installment, and all student loans)	292	0.76%
Obligations of states and political subdivisions in the U.S.		
Other loans	5	0.01%
Lease financing receivables (net of unearned income)		
Less: Unearned income on loans reflected above	77	0.20%
TOTAL LOANS	38,425	100%

Source: CALL Report, December 31, 2009

DESCRIPTION OF ASSESSMENT AREA

The CRA regulation requires financial institutions to delineate one or more AAs within which regulatory agencies evaluate the institution's record of helping to meet the credit needs of its community and surrounding area. An AA must consist generally of one or more metropolitan areas or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking remote service facilities.

For the purposes and requirements of CRA, the bank has designated Washington County as its AA, which is located in the St. George Metropolitan Statistical Area (MSA) #41100. The AA has not changed since the bank's inception. The AA is primarily comprised of upper, middle, and moderate-income census tracts. There are no low-income census tracts in the bank's AA. Table 2 provides demographic data for TCB's AA. According to information obtained from D&B, there are 13,384 businesses operating in the bank's AA. A majority of the businesses are in the

middle- and upper-income census tracts comprising 72.71 and 16.72 percent respectively. The AA meets the technical requirements of the regulation and does not arbitrarily exclude rural communities.

The total population of the AA is 90,354. The majority of the population resides in the St. George MSA. Approximately 72.42 and 17.23 percent of the population is located in the middle- and upper-income census tracts, respectively. Only 10.35 percent of the population lives in the moderate-income census tracts. The AA median family income (MFI) is \$41,777.

Table 2 Demographics of Washington County, Utah						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	18	0.00	11.11	72.22	16.67	0.00
Population by Geography	90,354	0.00	10.35	72.42	17.23	0.00
Business by Geography	14,918	0.00	10.56	72.71	16.72	0.00
Farms by Geography	379	0.00	7.65	71.24	21.11	0.00
Distribution of low- and moderate-income families throughout AA geographies	8,497	0.00	15.23	75.60	9.17	0.00
MFI Housing and Urban Development (HUD) Adjusted MFI for 2008 Households Below Poverty Level		41,777 53,800 10%	Median Housing Value Unemployment Rate (2000 U.S. Census) Unemployment Rate (November 2009)		131,931 2.29% 8.20%	

(*) The NA category consists of geographies that have not been assigned an income classification. Source: 2000 U.S. Census and 2009 HUD updated MFI

Economic Data

The Washington County economy continues to be in a moderate recession with a high unemployment rate, depressed real estate market, and increasing foreclosures. Population growth has been slowing in Washington County compared to other counties in the State of Utah for the same one year period 2007 to 2008. Overall, the state's population growth rate was 2.2 percent.

The largest five employers in the AA are:

- | | |
|-------------------------------------|---------------------------|
| • Washington County School District | Public Education |
| • Intermountain Health Care | Healthcare |
| • Wal-Mart | Discount Department Store |
| • St. George City | Local Government |
| • Dixie College | Higher Education |

The number of new dwelling permits has significantly declined in 2008 to 682 permits from a high of 3,860 permits in 2005, a decrease of 82 percent. The City of St. George saw the largest decline in new dwelling permits over a one year period from 2007 to 2008 followed by the City of Washington. (Source: Utah Bureau of Business and Economic Research and Moody's Economy.Com)

Competitive Environment

The bank operates in a highly competitive market. There are 11 financial institutions operating 40 banking offices in Washington County. TCB ranks 7th in deposit market share holding 2.62 percent of the approximately \$1.5 billion in deposits held by financial institutions within Washington County.

COMMUNITY CONTACT

Information obtained from community contacts is used to help assess the credit and community development needs of an AA. In conjunction with this evaluation, examiners performed a community contact with a small business development center that works on improving Southwestern Utah's economic base. The information gathered by this contact indicated there are opportunities for the local financial institutions to participate in the community by providing financial education and training. Specifically, public education for home ownership and small business training on how to successfully plan and manage a business is needed according to the contact.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Five performance criteria are evaluated to determine the bank's CRA performance and assigned rating. The criteria focus on the lending activity within the designated AA. The five criteria discussed on the following pages of this evaluation include:

- Quarterly ANLTD ratio;
- Record of lending within the AA;
- Record of lending to businesses of different sizes;
- Geographic distribution of lending; and
- Responses to CRA-related complaints, if any.

The CRA evaluation of the bank's lending performance was based, in part, upon the review of one loan category. Commercial purpose loans originated or renewed between January 1, 2009, and December 31, 2009, were reviewed. This loan type was selected as it represents the institution's primary business focus, and is the largest dollar volume of originated loans. A

review of all of 32 loans totaling \$9.1 million was used to determine lending performance to businesses of different revenue sizes.

Loan-to-Deposit Ratio

The bank's quarterly ANLTD ratio is reasonable for a new institution given the bank's size, business focus, financial condition, competitive forces, and AA credit needs. The ANLTD ratio measures the relationship of funds deposited in the bank to funds loaned out, and the extent to which the bank uses its deposit resources to extend credit. The ANLTD ratio, based on 8 quarters since opening for business, is approximately 74 percent. The ratio ranged from a quarter-end low of 56 percent on March 31, 2008, to a quarter-end high of 79 percent on December 31, 2008.

For comparison purposes, the bank's ANLTD ratio is compared to the ratios of other financial institutions within the AA. The other two financial institutions are headquartered within the AA were selected for this comparison. These banks and their corresponding ANLTD ratio and total assets are detailed in Table 3.

Table 3 Financial Institutions Located Inside the AA			
Financial Institution	Location	Average LTD Ratio (%)	Total Assets (in 000s)
Town & Country Bank	St. George	74	56,744
Similarly situated Bank 1	St. George	88	247,998
Similarly situated Bank 2	St. George	93	238,445

Source: CALL REPORT as of December 31, 2009

Lending in Assessment Area

This performance criterion measures the volume of loans originated within the designated AA relative to total lending activities and is an indicator of the level of service within the AA. Between January 1, 2009, and December 31, 2009, the bank originated 32 commercial loans totaling \$9.1 million. Examiners determined that the bank originated a substantial majority of commercial loans within its AA. Table 4 depicts that the bank originated 72 percent of the number and 31 percent of the dollar volume of commercial loans to borrowers located within the AA. The volume of commercial loans made outside the AA includes 5 participation loans with another financial institution totaling \$4 million. The bank was not the lead bank for any of the participation loans.

Table 4 Distribution of Total Sampled Loans Inside and Outside the AA										
Loan Type	Number of Loans					Dollar Volume of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	\$(000)
Commercial (Small Businesses)	23	72	9	28	32	2,788	31	6,278	69	9,066

Source: Bank provided data

A review of commercial loans originated in 2008 revealed that the bank originated a majority of its loans within the AA. Thirty-four commercial loans totaling \$5.7 million were originated in 2008; 74 percent of the number and 77 percent of the dollar volume were to commercial borrowers located inside the AA. This data confirms that the bank is committed to extending credit to borrowers within its designated AA.

Lending to Businesses of Different Sizes

A small business loan is defined as a loan to a business with an original amount or commitment of \$1 million or less, while a small business is defined as a business with gross annual revenues of \$1 million or less. The distribution of the bank's small business loans reflects a reasonable penetration among businesses of different revenue sizes.

Table 5 shows the distribution of the 23 small business loans originated during the review period in the AA by gross annual revenues. The distribution of small business loans by number and dollar volume shows that 61 percent of the number and 44 percent of the dollar amount of the loans were extended to businesses that had revenues of less than or equal to \$1 million. This performance indicates that the bank's commercial lending is reasonably focusing on the credit needs of small businesses.

Table 5 illustrates that approximately 48 percent of commercial purpose loans were to businesses earning less than \$100,000 in gross annual revenues. This performance compares favorably to the 44 percent of businesses reporting gross sales in this range.

Table 5 Distribution of Small Business Loans by Gross Annual Revenues of the Business

Gross Annual Revenue	% of Total Number of Businesses *	2009 Commercial Loans originated in AA			
		Number	% of #	Dollar Amount (000s)	% of \$
Less than \$100,000	43.6	11	47.8	944	34
\$100,000 to \$250,000	22	1	4.4	20	0.7
\$250,001 to \$500,000	7.1	0	0	0	0
\$500,001 to \$1,000,000	3.7	2	8.7	260	9.3
Under \$1,000,000	76.4	14	60.9	1,224	44
Over \$1,000,000	2.9	9	39.1	1,564	56
TOTALS:		23	100	2,788	100

Source: * June 2009 D&B

Geographic Distribution of Loans

A review of the geographic distribution of loans is performed to determine the distribution of the originated loans among the differing geographic income designations within a bank's AA.

The bank's geographic distribution of commercial loans is reasonable. Geocoding of the 32 loans determined that 23 loans were extended in the AA. Table 6 provides the geographic distribution of these commercial loans. The table also includes the percentage number of businesses located within the AA geographies according to D&B. The bank's performance is below D&B for the number of businesses located in the moderate-income areas with 4.3 percent of the number of loans compared to D&B reported 10.6 percent. The bank's percentage of lending in moderate-income areas is reasonable in comparison with the D&B data for the number of businesses within the moderate-income census tracts. As described previously, there are no low-income census tracts in the AA and the majority of the area's census tracts are middle-income.

Table 6 Distribution of 2009 Small Business Loans by Income Category of the Census Tract

Income Level	D&B Percent of Total Businesses	2009 Commercial Loans originated in AA			
		Number	% of #	Dollar Amount (000s)	% of \$
Low	0	0	0	0	0
Moderate	10.6	1	4.3	400	14.4
Middle	72.7	16	69.6	1,590	57.0
Upper	16.7	6	26.1	798	28.6
TOTALS	100	23	100.0	2,788	100

Source: June 2009 D&B

Community Development Lending Activity

The bank originated one community development loan. This loan qualifies as community development because it is meeting the needs of low- and moderate-income borrowers by providing affordable housing. In 2008, the bank participated in a \$1.5 million credit facility for a total of \$750,000 to construct 4 new single family homes in a mixed-income development in Springdale, Utah, known as Red Hawk. Of the four homes that were constructed, two were subsidized pre-sold single-family homes with approval for long term financing. The program calls for a least one home to be sold at or above “market.” The equity is then used by the housing authority to lower the price on the moderate homes so that a qualified buyer can afford the mortgage. At renewal, the bank increased its participation in 2009 to 70 percent or approximately \$1 million.

Response to Complaints

The bank has not received any CRA-related complaints since the previous CRA Performance Evaluation.

Fair Lending or Other Illegal Credit Practices Review

In addition, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designated to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparison.

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000) in New England. An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into "male householder" (a family with a male householder and no wife present) or a "female householder" (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Unit: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one has incomes above the median and the other having incomes below the median.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or median family income that is at least 50 percent and less than 80 percent in the case of geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or median family income that is at least 80 percent and less than 120 percent in the case of geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

OTHER TERMS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.